

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 USIA-06 AID-05 EB-08 NSC-05
TRSE-00 SS-15 STR-04 OMB-01 CEA-01 L-03 H-01
PA-01 PRS-01 CIAE-00 COME-00 FRB-03 INR-07
NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01 INT-05 ITC-01
IGA-02 /094 W

-----097011 271458Z /53

R 271142Z JUL 77

FM AMEMBASSY MADRID

TO SECSTATE WASHDC 1164

C O N F I D E N T I A L SECTION 1 OF 2 MADRID 5610

E.O. 11652: GDS

TAGS: ECON, SP

SUBJECT: VIEWS OF COMMERCE MINISTER

1. I PAID A COURTESY CALL ON THE NEW MINISTER OF
COMMERCE AND TOURISM JUAN ANTONIO GARCIA DIEZ, ON
JULY 27. HE WAS, UNTIL HIS APPOINTMENT, AS MINISTER, TECHNICAL
SECRETARY GENERAL OF THE MINISTRY OF COMMERCE AND
THUS VERY FAMILIAR WITH US-SPANISH COMMERCIAL RELATIONS.

2. SPANISH DELEGATION ON COUNTERVAILING DUTIES.
THE MINISTER SAID THAT THE SPANISH DELEGATION HAD RETURNED
QUITE SATISFIED WITH ITS CONVERSATIONS WITH TREASURY DEPARTMENT
ON COUNTERVAILING DUTIES. THE MINISTER THOUGHT THAT THE DELEGATION
HAD BEEN ABLE TO EXPLAIN AND CLARIFY THE SPANISH POSITION
ON A NUMBER OF PENDING ITEMS, INCLUDING ZINC. THE
ONE ITEM WHICH REMAINED OBSCURE AND WITHOUT SUITABLE EXPLANATION
WAS VITAMIN K. THE MINISTER SAID THAT IT WAS REALIZED THAT
THESE WERE TECHNICAL TALKS AND THAT DECISIONS WOULD HAVE TO
BE MADE AT A HIGHER LEVEL. HOWEVER, HE MADE A PLEA FOR
RECOGNITION IN WASHINGTON OF THE IRRITATION WHICH THE COUN-
TERVAILING DUTY CASES CAUSED IN US-SPANISH RELATIONS. IT TOLD
THE MINISTER THAT ALTHOUGH I HAD NO REPORT FROM WASHINGTON
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ON THE CONVERSATIONS, I COULD ASSURE HIM THAT THE TREASURY
DEPARTMENT MADE EVERY EFFORT TO GIVE FULL CONSIDERATION TO THE
SPANISH PRESENTATION AS WE, ON OUR SIDE, ALSO DID NOT DESIRE
UNNECESSARY IRRITATIONS. I EMPHASIZED, HOWEVER, THAT THE
CONTERVAILING DUTY LAW WAS A STRICT ONE AND THERE WAS LITTLE
FLEXIBILITY IF IT WAS FOUND THAT BOUNTIES OR GRANTS WERE
BEING GIVEN BY FOREIGN GOVERNMENTS ON SPECIFIC PRODUCTS.

(ACTION REQUESTED: I SHOULD APPRECIATE RECEIVING A REPORT ON
THE WASHINGTON DISCUSSIONS.)

3. GOVERNMENT'S ECONOMIC MEASURES. THE MINISTER SAID IN CONNECTION
WITH THE RECENT ECONOMIC PROGRAM ANNOUNCED BY THE GOS IT WAS THE
DESIRE OF THE GOVERNMENT TO MAINTAIN A LIBERAL TRADE POLICY AND
IN FACT, THE 20 PERCENT SURCHARGE ON CERTAIN IMPORTS HAD BEEN
REMOVED. WHILE THERE MIGHT BE SITUATIONS WHERE SPECIAL MEASURES
WOULD BE REQUIRED, THE MINISTER EMPHASIZED THAT THE GOVERNMENT
WAS COMMITTED TO A NON-PROTECTIONIST APPROACH.

4. INVESTMENTS. THE MINISTER ALSO COMMENTED THAT THE PRESENT
GOVERNMENT STRONGLY DESIRED FOREIGN, PARTICULARLY AMERICAN,
INVESTMENTS AND THAT THE SAME FACILITIES WHICH HAVE PREVIOUSLY
BEEN GIVEN TO INVESTORS WOULD CONTINUE. IN THIS CONNECTION,
HE EXPRESSED CONSIDERABLE CONCERN OVER THE EFFECT ON PROSPECTIVE
AMERICAN INVESTORS OF RECENT WALL STREET JOURNAL ARTICLES.
THE HARSHNESS OF THESE ARTICLES, INCLUDING THE FACT THAT THEY HAD
APPEARED IN A PAPER WHICH USUALLY DID NOT TAKE SUCH EXTREME
POSITIONS, HAD BEEN SURPRISING AND DISTURBING TO THE GOVERNMENT.
I TOLD THE MINISTER THAT I THOUGHT THAT IT WOULD BE A MISTAKE TO
ATTACH TOO MUCH SIGNIFICANCE TO THESE ARTICLES AND THAT I
BELIEVED THAT AMERICAN BUSINESS WOULD CONTINUE TO BE
INTERESTED IN SPAIN ALTHOUGH, OF COURSE, IT WOULD BE WATCHING
WITH INTEREST THE DETAILS OF THE GOVERNMENT'S ECONOMIC PROGRAM
AND THE SUCCESS WITH WHICH THE MEASURES WERE APPLIED.
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FM AMEMBASSY MADRID

TO SECSTATE WASHDC 1165

C O N F I D E N T I A L SECTION 2 OF 2 MADRID 5610

5. BALANCE OF PAYMENTS SITUATION. THE MINISTER THOUGHT THAT IT WOULD BE SOME TIME BEFORE THE DEVALUATION AND SOME OF THE OTHER MEASURES WOULD HAVE A VISIBLE EFFECT ON THE BALANCE OF PAYMENTS. WHILE THERE HAD BEEN SOME IMPROVEMENT IN THE LAST MONTHS ON THE BALANCE OF PAYMENTS SITUATION, THIS IMPROVEMENT HAD BEEN NEUTRALIZED BY THE SERVICING OF SPAIN'S EXTERNAL DEBT. BUT HE WAS HOPEFUL THAT IN THE LONG RUN THE GOVERNMENT'S ECONOMIC MEASURES WOULD HAVE A FAVORABLE EFFECT ON THE BALANCES OF PAYMENTS. WITH REGARD TO TOURISM, HE FELT THAT THE DEVALUATION HAD COME TOO LATE TO HAVE MUCH IMMEDIATE EFFECT, PARTICULARLY SINCE IN MANY INSTANCES CONTRACTS HAD BEEN DRAWN UP IN PESETAS. HOWEVER, HE WAS HOPEFUL THAT THERE WOULD BE AN UPWARD TURN LATER IN THE FALL AND IN THE WINTER MONTHS.

6. TRADE UNIONS. COMMENTING ON THE ATTITUDE OF THE TRADE UNIONS, PARTICULARLY THE WORKERS' COMMISSIONS, UGT AND CNT, THE MINISTER ASSERTED THAT THE PRIVATE REACTION OF THE UNION LEADERS TOWARD THE GOVERNMENT'S PROPOSALS FOR WAGE CONTROLS WAS MUCH MORE POSITIVE THAN THEIR PUBLIC DECLARATIONS. THE GOVERNMENT UNDERSTOOD THAT TRADE UNION LEADERS WOULD HAVE TO DEMONSTRATE A CERTAIN "VERBAL VIOLENCE" IN ORDER TO KEEP SOME CONTROL OVER THEIR MILITANTS AND IN ORDER ALSO NOT TO PERMIT

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THEMSELVES TO BE OUTFLANKED BY SOME OF THE SMALLER, MORE RADICAL TRADE UNIONS. HE SHOWED CONSIDERABLE OPTIMISM OVER THE POSSIBILITIES OF NEGOTIATIONS WITH THE TRADE UNION LEADERS ON THE GOVERNMENT'S MEASURES.

7. U.S. ASSISTANCE. FINALLY, THE MINISTER EXPRESSED THE HOPE THAT THE UNITED STATES WOULD SUPPORT SPAIN'S NEED FOR EXTERNAL FINANCING THROUGH MULTILATERAL INSTITUTIONS AND THROUGH PRIVATE ARRANGEMENTS. I TOLD THE MINISTER THAT I WAS CERTAIN THAT WE WOULD BE AS HELPFUL AS WE COULD IN THESE AREAS ALTHOUGH, AS I WAS SURE HE WOULD UNDERSTAND, THERE WAS LITTLE OR NO POSSIBILITY OF ANY GOVERNMENT-TO-GOVERNMENT ARRANGEMENT. THE MINISTER SAID HE UNDERSTOOD THIS AND RECOGNIZED THE CONSIDERABLE DIFFERENCE BETWEEN THE ECONOMIC SITUATION IN PORTUGAL WHERE A GOVERNMENT LOAN HAD BEEN ARRANGED, AND THE SITUATION IN SPAIN WHERE THE ECONOMIC SITUATION WAS VERY DIFFICULT, BUT NOT CATASTROPHIC. STABLER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC CONDITIONS, MEETINGS, MEETING REPORTS
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Copy: SINGLE
Sent Date: 27-Jul-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977MADRID05610
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770269-0226
Format: TEL
From: MADRID
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Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
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Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
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Review Transfer Date:
Review Withdrawn Fields: n/a
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To: STATE
Type: TE
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Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009